

SOUTH DAKOTA'S TRUST LANDS

Great Faces. Great Places.

Where Grazing and Agriculture Provide over \$10 Million for Public Schools and Institutions

Picture of state trust lands here.

Quick Facts on South Dakota's Trust Lands

Land Ownership:

Surface	758,000 acres
Mineral	5,220,000 acres

FY 2010 Revenue: \$ 7 million

FY 2010 Permanent Fund:

\$ 155 million
Total Return on Investments 13.87%
\$ 15 Million to schools

Picture of grazing.

South Dakota has almost 6 million surface or mineral acres held in trust by the South Dakota Office of School and Public Lands, under the direction of elected Commissioner Jarrod R. Johnson. Johnson, a fifth generation South Dakota rancher, is committed to managing the lands in the best interest of the trusts. His mission is to ensure efficient and superior management of school, endowment lands and trust funds. These trusts include public schools, state universities, schools for the deaf and visually handicapped, the State Training School, the Developmental Center, and state corrections.

In FY 2010, these 758,000 surface acres generated over \$7 million. Grazing and agricultural leases were the primary sources with \$4.6 million in surface revenue. Oil and gas revenue produced the remaining \$2.6 million in mineral revenue, mostly from royalty payments. Commissioner Johnson said, "Our continuing production and new exploration efforts are helping to decrease the nation's dependence on foreign oil while simultaneously benefiting state education."

Like Washington, Idaho and Arizona, South Dakota derives the bulk of its revenue from renewable resources. Grazing occurs on all surface lands and is the source for sixty percent of the revenue. The office manages almost 3 thousand grazing leases. State law sets the grazing fee at \$10.82 per Animal Unit Month (AUM). An AUM is the forage needed to sustain a cow or a cow and calf for one month. South Dakota's AUM fee is higher than many of the more arid western states; however, it is substantially below the \$22.50 to \$38 per AUM that Nebraska charges or the \$65 to \$150 per AUM charged by Texas.

Similarly, the agricultural/farm lease fees are determined by state law and vary according to that parcel's productivity. The agricultural leases are issued on 9,000 acres, and auction prices may increase the fee in areas where demand is high

There are no surface leases for commercial, industrial, residential or conservation purposes. The revenue from timber is sporadic, and no timber revenue was generated from the 5,000 timbered acres in FY 2010.

Amazingly, the 758,000 acres are managed by a staff of five in the South Dakota Office of School and Public Lands. About three-fourths of the office funding is provided by the state General Funds with the remainder of the funding derived from the annual pesticide registration fees.

South Dakota currently holds title to 758,000 surface acres and 220,000 acres of mineral rights remaining from the grant from Congress in 1889 at statehood. South Dakota is still entitled to select ??? acres from the federal Bureau of Land Management. Presently, the land office is not seeking selection of these entitlements because ???????????

By statute all of the surface revenue, half of the oil and gas revenue, and all interest payment on land sale contracts goes to the school and endowed institutions' income accounts. To this is added the return on investments from the permanent funds, net of inflation adjustments. All principal payments on land sales and the other half of the oil and gas revenue are deposited in the respective permanent fund. Building the permanent funds can, over time, build the distributions to support the trusts.

Picture of agriculture here.

The permanent School and Public Lands funds have grown to \$155 million and are managed by the South Dakota Investment Council composed of eight members. Five members are appointed by the legislature and the other three include the Commissioner of School and Public Lands, the State Treasurer, and a representative of the state retirement system. Through prudent

Picture of staff on trust lands here.

FY 2010 Revenue of \$7 Million:

Surface Leases	\$ 4.6 million
Grazing on 761,000 acres	\$ 4.4 million
Oil & Gas	\$ 2.6 million
Agriculture on 8,800 acres	\$.2 million
Timber on 5,000 acres	\$ 0

diversification of the funds in fixed income, domestic and international equity, private equity, and global equity, the Investment Council generated 13.9% total return, recovering most of the losses experienced in FY2009. Many large endowment funds nationwide, including Harvard University, experienced much greater losses than the School and Public Lands funds did.

Currently, the major threat to the trust lands is the consideration of consolidating the office with the State Treasurer to reduce state employees. Combining totally unrelated functions, such as investment and land management, have not been successful moves when other states have tried it. With trust lands, other states have combined revenue generating trust land management with conservation functions of most departments of natural resources. Such moves have resulted in divided loyalty, dilution of focus on revenue generating activities, and a serious breach of the state’s fiduciary duty. Trust beneficiaries have found such moves short-sighted and detrimental to long term revenue for schools and other trusts.

Picture of state trust lands here.